

GOVERNMENTAL OPERATIONS

Agency 126

State Investment Board

Recommendation Summary

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2013-15 Expenditure Authority	91.4		35,967	35,967
Total Maintenance Level	95.4		38,107	38,107
Difference	4.0		2,140	2,140
Percent Change from Current Biennium	4.4%		5.9%	5.9%
Performance Changes				
Investment Officer Compensation			2,064	2,064
Public Equity Investment Strategies	1.0		723	723
Investment Compliance Staff	1.0		515	515
CTS Rate Adjustment			(120)	(120)
Audit Services			(1)	(1)
Legal Services			6	6
Office of Chief Information Officer			2	2
CTS Central Services			34	34
DES Central Services			2	2
Core Financial Systems Replacement			4	4
Time, Leave and Attendance System			6	6
State Public Employee Benefits Rate			116	116
Nonrepresented Job Class Specific Increases			20	20
General Wage Increase for State Employees			1,086	1,086
Subtotal	2.0		4,457	4,457
Total Proposed Budget	97.4		42,564	42,564
Difference	6.0		6,597	6,597
Percent Change from Current Biennium	6.6%		18.3%	18.3%
Total Proposed Budget by Activity				
Investment Activities	97.4		42,564	42,564
Total Proposed Budget	97.4		42,564	42,564

PERFORMANCE LEVEL CHANGE DESCRIPTIONS

Investment Officer Compensation

This item provides a competitive compensation structure allowing the Washington State Investment Board (WSIB) to recruit and retain highly skilled investment officers. The budget incrementally narrows the investment officer compensation gap to an average of 9 percent below the 2012 peer average by fiscal year 2017, in compliance with RCW 43.33A.100. (Washington State Investment Board Administrative Account-State)

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Public Equity Investment Strategies

Funding is provided to enable the WSIB's Public Equity Unit to continue to improve and institutionalize manager monitoring and to pursue new strategies. The WSIB's objective is to effectively construct and oversee investment portfolios for state retirement systems and other public funds. Additional staff positions will allow the WSIB to attain the high level of return set by the Legislature. (Washington State Investment Board Administrative Account-State)

Investment Compliance Staff

The WSIB will hire an investment officer to enable the Risk and Compliance Unit to build a back-office review monitoring program. It will examine the WSIB's real estate partners' risk management, internal controls, and governance oversight processes. This new position will enhance the current due diligence process for investments to provide assurance that the partners' control structures are in place and operating effectively, within a reasonable period of time upon investing and periodically thereafter. (Washington State Investment Board Administrative Account-State)

CTS Rate Adjustment

Agency budgets are adjusted to reflect changes in Consolidated Technology Services (CTS) rates. Specific changes include a reduction in metered storage rates and elimination of tailored storage rates, elimination of redundant firewalls, reduction in long distance telephone rates, a general rate reduction to reflect administrative efficiencies within CTS, and enhancements to the identity management service.

Audit Services

Agency budgets are adjusted to update each agency's allocated share of charges and to reflect a 5 percent reduction in charges for audit services.

Legal Services

Agency budgets are adjusted to update each agency's allocated share of charges and to reflect a reduction in legal service charges. The Attorney General's Office (AGO) will work with client agencies to implement stricter policies and best practices regarding utilization of its services to achieve lower legal bills.

Office of Chief Information Officer

Agency budgets are adjusted to update each agency's allocated share of charges and to reflect increased billing levels for software subscriptions and office relocation.

CTS Central Services

Agency budgets are adjusted to update each agency's allocated share of charges from Consolidated Technology Services (CTS) to reflect an increase in business continuity/disaster recovery costs and a new allocated charge for state data network costs.

DES Central Services

Agency budgets are adjusted to update each agency's allocated share of charges and to align with anticipated billing levels from the Department of Enterprise Services (DES) in the 2015-17 biennium, including changes to the enterprise systems fee, personnel services, and small agency financial services.

Core Financial Systems Replacement

Agency budgets are adjusted to align with anticipated billings from the Office of Financial Management in the 2015-17 biennium for core financial systems replacement planning through the One Washington project.

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Time, Leave and Attendance System

Agency budgets are adjusted to align with anticipated billings for the Time, Leave and Attendance system, including debt service and project completion costs.

State Public Employee Benefits Rate

Health insurance funding is provided for state employees who are not represented by a union or who are covered by a bargaining agreement that is not subject to financial feasibility determination. Insurance for employees covered by the health insurance coalition is included in funding for their respective collective bargaining agreements. The insurance funding rate is \$913 per employee per month for Fiscal Year 2016 and \$947 per employee per month for Fiscal Year 2017. (General Fund-State, various other accounts)

Nonrepresented Job Class Specific Increases

Funding is provided for classified state employees who are not represented by a union for pay increases in specific job classes in alignment with other employees. (General Fund-State, various other accounts)

General Wage Increase for State Employees

Funding is provided for wage increases for state employees who are not represented by a union or who are covered by a bargaining agreement that is not subject to financial feasibility determination. It is sufficient for a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for employees who earn \$2,500 a month or more, effective July 1, 2016; and a general wage increase of 1 percent plus a \$20 per month increase for employees who earn less than \$2,500 per month, effective July 1, 2016. This item includes both higher education and general government workers. (General Fund-State, various other accounts)

ACTIVITY DESCRIPTIONS

Investment Activities

The Washington State Investment Board (WSIB) manages investments for retirement, industrial insurance, permanent and other trust funds, including the defined benefit and defined contribution pension plans for teachers, school employees, law enforcement officers, firefighters, and public employees. The WSIB also manages investments for the Deferred Compensation Plan, Guaranteed Education Tuition program, and the Developmental Disabilities Endowment Trust. The duty of the Board is to diversify investments and maximize returns, at a prudent level of risk, for the exclusive benefit of fund beneficiaries.